

WILLIAM A. MUNDELL
CHAIRMAN

JIM IRVIN
COMMISSIONER

MARC SPITZER
COMMISSIONER



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ARIZONA CORPORATION COMMISSION

OPEN MEETING ITEM
MEMORANDUM

TO: Chairman William A. Mundell
Commissioner Jim Irvin
Commissioner Marc Spitzer

DOCKETED

OCT 11 2001

FROM: Mark Sendrow
Director of Securities

DOCKETED BY	<i>ms</i>
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DATE: October 10, 2001

RE: Roger Lancette, Docket No. S-03444A-01-0000 (Hotel Connect LLC's #100-1100, et al.)

CC: Brian C. McNeil, Executive Secretary

AZ CORP COMMISSION
DOCUMENT CONTROL

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Attached is a proposed Order to Cease and Desist, Order of Restitution, Order for Administrative Penalties and Consent to Same (Order), fully executed by Roger Lancette (Respondent), finding violations of the Securities Act, including the sale of unregistered securities, sale of securities by an unregistered dealer or salesman, and misrepresentations and omissions in the sale of securities.

On July 18, 2001, the Division filed a Notice against Respondent and others, alleging that Respondent was involved from around August 1999 through June 2000, in the offer and sale of investment contracts, i.e., securities, within and from Arizona. The investment contracts were membership interests in limited liability companies and "business opportunities" involving the sale of equipment together with services agreements.

In the proposed Order, Respondent has consented to restitution totaling \$1,332,000, plus interest from the date of the investments, and administrative penalties in the amount of \$25,000. Respondent has agreed that he will not offer or sell, directly or indirectly, securities or provide investment advisory services, within or from Arizona, and that he will not apply for registration as a securities salesman or dealer, or licensure as an investment adviser or investment adviser representative in Arizona.

MS: ptj

W/ attachments

Originator: Pamela T. Johnson

Assistant Attorney General Assigned: Moira McCarthy

1200 WEST WASHINGTON, PHOENIX, ARIZONA 85007 / 400 WEST CONGRESS STREET, TUCSON, ARIZONA 85701

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1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 WILLIAM A. MUNDELL

Chairman

3 JIM IRVIN

Commissioner

4 MARC SPITZER

Commissioner

5 In the matter of:

6 HOTEL CONNECT LLC's #100-1100

7 3649 West Beechwood Suite 103

8 Fresno, CA 93711

9 MARK ALAN MELKOWSKI, SR.

2173 East La Vieve Lane

10 Tempe, AZ 85254

11 EAGLE COMMUNICATIONS, INC.

4430 N. Civic Center Plaza #204

12 Scottsdale, AZ 85251

13 RONALD LEE GOBLE, individually and dba

SOUTHWEST TRUST & FINANCIAL

14 6243 East Gelding Drive

Scottsdale, AZ 85254

15 GARY LYLE CHRISTIAN, individually and dba

CORNERSTONE SENIOR PLANNING

16 7015 West Firebird Drive

17 Glendale, AZ 85308

18 HYLAND A. STOKES, individually and dba

ESTATE PLANNING PROTECTION

19 5570 East Via Montoya Drive

Phoenix, AZ 85054

20 ROGER LANCETTE, individually and dba

21 NATIONAL ESTATE SERVICE AND

PLANNING and SENIOR ADVISORY

22 SERVICES

6857 East Montreal Place

23 Scottsdale, Arizona 85254

24 WALLACE BUTTERWORTH, individually and

dba SENIOR ADVISORY SERVICES

25 1411 East Orangewood Avenue #239

Phoenix, AZ 85020

26 CRD #728693

Respondents.

) Docket No. S-03444A-01-0000

)
) **ORDER TO CEASE AND DESIST,**
) **ORDER OF RESTITUTION, ORDER**
) **FOR ADMINISTRATIVE PENALTIES**
) **AND CONSENT TO SAME**

) **RE: ROGER LANCETTE, individually and**
) **dba NATIONAL ESTATE SERVICE AND**
) **PLANNING and SENIOR ADVISORY**
) **SERVICES**

) **DECISION NO. _____**

Respondent Roger Lancette, individually and doing business as National Estate Service and Planning and Senior Advisory Services ("RESPONDENT"), elects to permanently waive any right to a hearing and appeal under Articles 11 and 12 of the Securities Act of Arizona, A.R.S. § 44-1801 *et seq.* ("Securities Act") with respect to this Order To Cease And Desist, Order of Restitution, and Order for Administrative Penalties ("Order"). The aforesaid RESPONDENT admits the jurisdiction of the Arizona Corporation Commission ("Commission"); admits only for purposes of this proceeding and any other administrative proceedings before the Commission or any other agency of the state of Arizona, the Findings of Fact and Conclusions of Law contained in this Order; and consents to the entry of this Order by the Commission.

I.

FINDINGS OF FACT

1. RESPONDENT, whose last known address is 6857 East Montreal Place, Scottsdale, Arizona 85254, was never registered with the Commission as a securities salesman. RESPONDENT is, and was at all times pertinent hereto, licensed by the Arizona Department of Insurance as an insurance salesman.

A. Sales and Marketing Network for "Alternative" Investments.

2. From around October 1998 through July 1999, Respondent Mark Alan Melkowski ("Melkowski") recruited several licensed insurance salesmen including RESPONDENT to contract as sales agents for Respondent Hotel Connect LLCs ("Hotel Connect") and World Cash Providers, LLC ("World Cash") to sell "alternative" investments to their clients. Alternative investments included membership interests in Hotel Connect and World Cash business opportunities. Melkowski and his company, Eagle Communications, Inc. aka Eagle One Communications, Inc., acted as a managing sales agent for Hotel Connect and World Cash, assisting these companies by providing RESPONDENT with necessary investor paperwork, training, processing investor documents, and paying RESPONDENT commissions based upon the amount of money invested through his sales

1 and marketing efforts. Melkowski negotiated commission splits individually with RESPONDENT
2 and paid him up to 20% of the amount invested in these alternative investments.

3 3. Hotel Connect and World Cash provided joint sales conferences and training sessions
4 for agents on how to sell the LLC membership interests and the World Cash business opportunities
5 programs.

6 4. Unknown to RESPONDENT, on February 8, 2000, the California Department of
7 Corporations ("DOC") found that the World Cash business opportunities were securities sold in
8 violation of California law, and ordered World Cash and some of its principals, managers and
9 marketers to stop selling these business opportunities in California.

10 5. In or around February 2000, after the California DOC ordered World Cash to desist
11 and refrain from further sales of business opportunities in California, RESPONDENT stopped selling
12 Hotel Connect and World Cash products and started selling business opportunities for Mobile Cash
13 Systems, LLC ("Mobile Cash").

14 6. RESPONDENT solicited some of his investors through seminars advertised to the
15 general public, followed by visits to the investors' homes.

16 7. RESPONDENT encouraged his insurance clients to sell their annuities to invest in
17 these "alternative" investments. Some investors sustained penalties or termination charges upon
18 the termination of their annuity contracts, and then, upon RESPONDENT's recommendation,
19 used the funds to purchase the "alternative" investments.

20 **B. Description of the Hotel Connect Offerings.**

21 8. From in or around October 1998 until February 2000, RESPONDENT offered and
22 sold within and from Arizona membership interests in Hotel Connect #100-1100 LLC's to
23 approximately 12 investors. Investors were told that their funds would be used to operate a hotel
24 long distance and operator service for the purpose of generating a profit for investors.

25 9. The minimum investment for one membership interest in Hotel Connect was \$10,000,
26 for a projected annualized average 17.6% return for the first five years. Investors were told by

1 salesmen and in sales brochures that the investment provided the investor "high returns with minimal
2 risk, good collateralization, and liquidity in case of emergency throughout his or her ownership," and
3 that they could expect annual yields on their investments of 14% during year one, and up to 20%
4 annual yields during year five.

5 10. While Hotel Connect's subscription documents provide specifically that the
6 investments "will be sold only to accredited investors," in fact the investments were in many cases
7 sold to investors who did not meet the definition of an accredited investor as that term is defined
8 under federal law and adopted under the Securities Act.

9 11. RESPONDENT did not fully disclose all of the risks of the investments in Hotel
10 Connect.

11 12. Investors in Hotel Connect interests have not received their first annual return, as
12 promised.

13 **C. Description of the "Business Opportunities" Offerings.**

14 13. RESPONDENT also offered and sold investments called "business opportunities,"
15 consisting of the sale of equipment together with service agreements. Investors were to receive
16 monthly payments resulting from a share of the profits generated from the operation of their
17 equipment. Investors exercised no managerial or entrepreneurial duties in connection with this
18 investment, and never even saw the equipment. The profits of the investors were dependent upon the
19 services provided by the service companies.

20 14. From around January 1999 through January 2000, RESPONDENT sold World Cash
21 cash ticket machines ("CTMs"), with services provided by World Cash Providers, Inc., based in
22 Fresno, California, to five investors. Some of the principals of these issuers, collectively referred to
23 hereafter as "World Cash," were also involved in the management and marketing of the Hotel
24 Connect membership interests.

25 15. From around January 2000 through June 2000, RESPONDENT offered and sold
26 Mobile Cash business opportunities investments--substantially similar to the CTM business

1 opportunities, to 8 investors. These sales involved wireless terminal machines ("WTMs") together
2 with service agreements. The WTMs were handheld wireless cash ticket machines. Mobile Cash
3 was based in Las Vegas, Nevada. The services were to be provided by two companies based in
4 Mesa, Arizona, World Wireless Systems, Inc. ("Wireless") and World Electronic Payment Solutions
5 ("WEPS"). Principals of Mobile Cash, Wireless and WEPS also managed or marketed World Cash
6 business opportunities and Hotel Connect membership interests.

7 16. Investors in the World Cash CTM business opportunities stopped getting their
8 monthly "revenue" payments in or before June 2000.

9 17. Investors in the Mobile Cash WTM business opportunities received monthly
10 "revenue" payments, as promised, approximately 90 days after their investments, beginning in
11 April 2000, even though not a single WTM machine was placed in operation. Around March
12 2001, the "revenue" payments to investors stopped.

13 18. In connection with the offer or sale of securities within or from Arizona,
14 RESPONDENT directly or indirectly made untrue statements of material fact or omitted to state
15 material facts which were necessary in order to make the statements made not misleading in light of
16 the circumstances under which they were made. RESPONDENT'S conduct includes, but is not
17 limited to, the following:

18 a) Not disclosing all of the specific risks involved in these investments.

19 b) Not disclosing the financial or background information about the issuers or
20 their principals.

21 c) Not disclosing to Hotel Connect investors that there would be inter-company
22 transfers of funds between Hotel Connect and World Cash or other companies.

23 d) Representing to CTM investors that their equipment would be delivered within
24 30 or 60 days of their completed contract, when in fact, many of the CTMs that were
25 purchased were never delivered or placed in service.
26

1 e) Representing that CTM investors were to receive monthly distributions from the
2 revenue generated from the operation of their CTMs, when in fact, monthly distributions
3 were paid to many investors for CTMs that were never placed in service for them.

4 f) Representing that WTM investors were to receive monthly distributions from the
5 revenue generated from the operation of their WTM, when in fact, from April through
6 January 2000, Wireless distributed monthly payments to investors although no equipment
7 was placed in service for any investors.

8 g) Not disclosing to WTM investors that no WTM had been placed in service.

9 h) Not disclosing that Wireless and WEPS, the service and processing companies that
10 were supposed to manage the WTM to generate revenue for the distributions to investors,
11 had not even begun service operations.

12 j) Not disclosing background information regarding the principals of the limited
13 liability companies and the business opportunities, including but not limited to the
14 following:

15 (1) That on February 8, 2000, the California DOC issued orders finding that the
16 business opportunities or investment contracts involving CTMs were
17 securities and ordering World Cash, its presidents, and two Directors of
18 WEPS, Paul Michael ("Mike") Goodman and John P. Steele, to desist and
19 refrain from the unlawful sale of these securities in California.

20 (2) That on February 10, 2000, the California DOC filed a lawsuit in
21 Sacramento County Superior Court against several entities and individuals
22 including three directors of WEPS, Claude D. Smith, Billy Ray Smith and
23 Brian T. Griggs, alleging the illegal and fraudulent offer and sale of an
24 estimated \$20 million of securities in the form of short-term promissory
25 notes to hundreds of investors, many of them elderly. The funds were
26 alleged to be used for investments in commercial automated teller

1 machines, cash ticket machines, and discount telephone service systems in
2 economy motel rooms.

3 **II.**

4 **CONCLUSIONS OF LAW**

5 1. The Commission has jurisdiction over this matter pursuant to Article XV of the
6 Arizona Constitution and the Securities Act.

7 2. RESPONDENT offered or sold securities within or from Arizona, within the
8 meaning of A.R.S. §§ 44-1801(15), 44-1801(21), and 44-1801(26).

9 3. RESPONDENT violated A.R.S. § 44-1841 by offering or selling securities that were
10 neither registered nor exempt from registration.

11 4. RESPONDENT violated A.R.S. § 44-1842 by offering or selling securities while
12 neither registered as dealers or salesmen nor exempt from registration.

13 5. RESPONDENT violated A.R.S. § 44-1991 by making untrue statements or
14 misleading omissions of material facts.

15 6. RESPONDENT's conduct is grounds for a cease and desist order pursuant to A.R.S.
16 § 44-2032.

17 7. RESPONDENT's conduct is grounds for an order of restitution pursuant to A.R.S. §
18 44-2032.

19 8. RESPONDENT's conduct is grounds for administrative penalties under A.R.S. § 44-
20 2036.

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III.

ORDER

THEREFORE, on the basis of the Findings of Fact, Conclusions of Law, and RESPONDENT's consent to the entry of this Order, the Commission finds that the following relief is appropriate, in the public interest, and necessary for the protection of investors:

IT IS ORDERED, pursuant to A.R.S. § 44-2032, that RESPONDENT, his agents, employees, successors and assigns, permanently cease and desist from violating the Securities Act.

IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2032, that RESPONDENT shall, jointly and severally with Hotel Connect, pay restitution to Hotel Connect investors shown on the records of the Commission in the amount of \$610,000, plus interest at the rate of 10% per annum from the date of each investment, until paid in full. Payment shall be made by cashier's check or money order payable to the "State of Arizona" to be placed in an interest-bearing account maintained and controlled by the Arizona Attorney General. The Arizona Attorney General shall disburse the funds on a pro rata basis to investors. Any funds that the Attorney General is unable to disburse shall revert to the state of Arizona.

IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2032, that RESPONDENT shall, jointly and severally with other Respondents who are subject to Decision No. 63680 of the Commission, pay restitution to CTM investors shown on the records of the Commission in the amount of \$172,000, plus interest at the rate of 10% per annum from the date of each investment until paid in full. Payment shall be made by cashier's check or money order payable to the "State of Arizona" to be placed in an interest-bearing account maintained and controlled by the Arizona Attorney General. The Arizona Attorney General shall disburse the funds on a pro rata basis to investors. Any funds that the Attorney General is unable to disburse shall revert to the state of Arizona.

IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2032, that RESPONDENT shall, jointly and severally with other Respondents who are subject to Decision No. 63680 of the

1 Commission, pay restitution to WTM investors shown on the records of the Commission in the
2 amount of \$550,000, plus interest at the rate of 10% per annum from the date of each investment,
3 until paid in full. Payment shall be made by cashier's check or money order payable to the "State
4 of Arizona" to be placed in an interest-bearing account maintained and controlled by the Arizona
5 Attorney General. The Arizona Attorney General shall disburse the funds on a pro rata basis to
6 investors. Any funds that the Attorney General is unable to disburse shall revert to the state of
7 Arizona.

8 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2036, that RESPONDENT shall pay
9 administrative penalties in the amount of \$25,000. Payment shall be made in full by cashier's

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check or money order on the date of this Order, payable to the "State of Arizona." Any amount outstanding shall accrue interest at the rate of 10% per annum from the date of this Order until paid in full.

IT IS FURTHER ORDERED that this Order shall become effective immediately. All restitution and penalties payments are due upon entry of this Order.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN

COMMISSIONER

COMMISSIONER

IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive Secretary of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this _____ day of _____, 2001.

BRIAN C. McNEIL
Executive Secretary

DISSENT

This document is available in alternative formats by contacting Shelly M. Hood, ADA Coordinator, voice phone number 602-542-3931, E-mail shood@cc.state.az.us.

PTJ

CONSENT TO ENTRY OF ORDER

1
2 1. Respondent Roger Lancette, individually and doing business as National Estate
3 Service and Planning and Senior Advisory Services ("RESPONDENT"), admits the jurisdiction of
4 the Commission over the subject matter of this proceeding. RESPONDENT acknowledges that he
5 has been fully advised of his rights to a hearing to present evidence and call witnesses and
6 RESPONDENT knowingly and voluntarily waives any and all rights to a hearing before the
7 Commission and all other rights otherwise available under Article 11 of the Securities Act and Title
8 14 of the Arizona Administrative Code. RESPONDENT acknowledges that this Order To Cease
9 And Desist, Order for Restitution, Order for Administrative Penalties and Consent to Same
10 ("Order") constitutes a valid final order of the Commission.

11 2. RESPONDENT knowingly and voluntarily waives any right he may have under
12 Article 12 of the Securities Act to judicial review by any court by way of suit, appeal, or
13 extraordinary relief resulting from the entry of this Order.

14 3. RESPONDENT acknowledges and agrees that this Order is entered into freely and
15 voluntarily and that no promise was made or coercion used to induce such entry.

16 4. RESPONDENT acknowledges that he has been represented by counsel in this
17 matter, he has reviewed this Order and understands all terms it contains.

18 5. RESPONDENT admits only for purposes of this proceeding and any other
19 administrative proceedings before the Commission or any other agency of the state of Arizona, the
20 Findings of Fact and Conclusions of Law contained in this Order.

21 6. By consenting to the entry of this Order, RESPONDENT agrees not to take any
22 action or to make, or permit to be made, any public statement denying, directly or indirectly, any
23 Finding of Fact or Conclusion of Law in this Order or creating the impression that this Order is
24 without factual basis. RESPONDENT will undertake steps necessary to assure that all of his agents
25 and employees understand and comply with this agreement. Nothing in this provision affects
26

1 RESPONDENT's testimonial obligations or right to take legal positions in litigation in which an
2 administrative agency of the state of Arizona is not a party.

3 7. While this Order settles this administrative matter between RESPONDENT and the
4 Commission, RESPONDENT understands that this Order does not preclude the Commission from
5 instituting other administrative proceedings based on violations that are not addressed by this Order.

6 8. RESPONDENT understands that this Order does not preclude the Commission from
7 referring this matter to any governmental agency for administrative, civil, or criminal proceedings
8 that may be related to the matters addressed by this Order.

9 9. RESPONDENT understands that this Order does not preclude any other agency or
10 officer of the state of Arizona or its subdivisions from instituting administrative, civil or criminal
11 proceedings that may be related to matters addressed by this Order.

12 10. RESPONDENT agrees that he will never apply to the state of Arizona for
13 registration as a securities dealer or salesman or for licensure as an investment adviser or
14 investment adviser representative.

15 11. RESPONDENT agrees that he will not offer or sell, directly or indirectly, securities,
16 or provide investment advisory services as defined in A.R.S. § 44-3101(5) and (6), within or from
17 Arizona.

18 12. RESPONDENT agrees that he will not exercise any control over any entity or person
19 that offers or sells, directly or indirectly, securities, or provides investment advisory services as
20 defined in A.R.S. § 44-3101(5) and (6), within or from Arizona.

21 13. RESPONDENT agrees that until restitution and penalties are paid in full,
22 RESPONDENT will notify the Director of the Securities Division within 30 days of any change in
23 home address or any change in RESPONDENT's ability to pay amounts due under this Order.

24 14. RESPONDENT understands that default shall render him liable to the Commission
25 for its costs of collection and interest at the maximum legal rate.

26 15. RESPONDENT agrees that he will continue to cooperate with the Securities
Division including, but not limited to, providing complete and accurate testimony at any hearing in

Docket No. S-03444A-01-0000

1 this matter and cooperating with the state of Arizona in any related investigation or any other
2 matters arising from the activities described in this Order.

3 16. RESPONDENT consents to the entry of this Order and agrees to be fully bound by
4 its terms and conditions. If RESPONDENT breaches any provision of this Order, the Commission
5 may vacate this Order and restore this case to its active docket.

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7
8 
9 ROGER LANCETTE

10 SUBSCRIBED AND SWORN TO BEFORE me this 9th day of October, 2001.

11
12 
13 NOTARY PUBLIC

14 My Commission Expires:

15 1-9-05

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